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~~INFORMATION REPORT~~

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DATE OF INFO. 10-22 January 1949

**SUPPLEMENT TO
REPORT NO.**

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1. USIA headquarters has a backlog of orders amounting to 80,000,000 schillings, to be placed with USIA plants. These orders are not to be given to the plants concerned, however, until the outcome of the state treaty negotiations is known. Meanwhile, in USIA plants dismissals and curtailment of working hours continue. After 24 January 1949, C.P. Goerz Optical Firm will operate on the basis of a 30-hour week, and if new orders do not come in, a complete shut-down is anticipated.*
2. Since 10 January, USIA Technical Director Startsev and his deputy, Shevchenko, have been inspecting USIA plants with reference to inventories of plant installations and stocks on hand. According to Startsev's secretary, the purpose of these inspections is to determine for the USIA Directorate the amount of goods which would have to be shipped and the equipment to be removed or dismantled in the event of a state treaty. Repin, chief of the Quality Control Section under Startsev, has been personally supervising the rapid dismantling of buildings of a former light metal plant near Berg, Lower Austria, close to the Austro-Czechoslovak border, and another plant in the same vicinity.**
3. A well-placed Austrian Communist informant confirms Startsev's statement that USIA is dissatisfied with its Austrian Communist economic advisors and no longer refers economic problems to the KPCs.*** [REDACTED] Communist informant 25X1X6 claims he was told by USIA Director Malavin that assistance rendered USIA by Ernst Fellingner and Monk, Fellingner's successor, has been decidedly ineffective, and that USIA obtains better results by working with non-Communist Austrian economic specialists, even though the latter have no special political qualifications.
4. Avetisov, Soviet director of C.P. Goerz, told an Austrian employee of the firm that the Americans are purchasing turbines from J.M. Voith Maschinenfabrik in St. Poelten, through the USIA Central Commercial Bureau.****

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Comment: It is noted that C.P. Goerz, the firm cited by [REDACTED] as an example of this new trend, makes highly specialized, technical instruments, and that this firm's production has hitherto been regulated almost entirely by Soviet demand for these instruments, rather than by local market conditions. No confirmation has been received of a recent wave of dismissals and lay-offs in USIA plants producing commodities for which there is a more normal demand.

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See [redacted] for details on C.P. Goerz's financial difficulties.

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CENTRAL INTELLIGENCE AGENCY

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~~Comment:~~ [redacted] believes that participation of high USIA officials makes these activities of particular significance. The inspections might quite possibly be routine, however, Dismantling of former airplane factories and other German war industries in Lower Austria has been going on for some time.

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*** [redacted] Source reported this alleged statement by Startsev in [redacted]

25X1A6a See also [redacted] Comment in paragraph 11 of [redacted] in which reference is made to another report from the same source on this subject.

25X1A6a *** [redacted] Comment: A check with ODI, USFA reveals that six firms in which American capital is represented, including local representatives of the Liechtenstein family, are dealing with USIA. The situation is being followed by ODI, USFA.

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